



**BlueCross BlueShield
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Health Options®**

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PRINCIPAL HEALTH CARE (PHC) NEWSLETTER

AN UPDATE FOR SGBU EMPLOYEES ON THE PHC ACQUISITION

APRIL '99

THE ACQUISITION/TRANSITION

EFFECTIVE DATE — Our acquisition of Principal Health Care of Florida (PHC) became effective on January 4, 1999.

OUR PLAN — is to gradually transition PHC's membership to BCBSF products. PHC will continue to operate as Health Options Connect doing business as Principal Health Care until March 2000.

MEMBERSHIP — State-wide membership acquired through this conversion was approximately 152,000 of which the SGBU had 36,675 members as of January 4, 1999 or 23% of the state's total.

We have begun converting PHC accounts with 4/1/99 renewal dates to BCBSF products and will continue the renewal process through March 2000. BCBSF Sales channel conversion is running better than plan at 80%.

SUNRISE PHC OFFICE — We made a decision to maintain the PHC office functions during the transition. This was done because of the use of different computer and phone systems than BCBSF. We want to retain as many PHC staff as possible in order to provide optimal levels of service to customers and providers. In mid-June of 1999, the PHC Customer Service function will consolidate to BCBSF offices in Jacksonville. Currently, the tentative date of the move from the Sunrise PHC offices to Miami is June 18.

PHC STAFF — Currently, 21 staff members have been given contingency offers from BCBSF. Another 29 have received retention bonuses.

SIMULTANEOUS EFFORTS — The "PHC project" currently involves two simultaneous efforts: first, an on-site management team is running the Principal day-to-day business operations; and second, BCBSF SGBU functional management is working to convert PHC accounts to BCBSF products.

THE SGBU/PHC STEERING GROUP

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PHC (SUNRISE) ON-SITE

MANAGEMENT TEAM

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PHC MEMBERS

PHC MEMBER QUESTIONS — Members should continue to contact PHC's customer service office to get answers for any questions they might have. They should direct their phone or written inquiries to the phone numbers and addresses included in their existing benefits package and ID cards.

MEMBER SERVICE — Most aspects of service remain unchanged, including claims submission, membership cards, co-payments, networks, referrals, telephone numbers and addresses to reach PHC.

BENEFITS — Until transitioning to a BCBSF health plan, members currently enrolled with PHC will experience no changes in their benefits, payments or coverage. Members continue to use PHC member identification cards until becoming BCBSF members.

MEMBER BENEFITS — Members are covered under their PHC plan with no charge or interruption in benefits or service until they convert to BCBSF or another carrier. If they convert to BCBSF then health benefits will most likely be similar but there may be some differences.

PHYSICIANS — Members and physicians continue to follow the same guidelines they currently employ with respect to eligibility, benefits, physician changes and member updates.

PHONE NUMBER — The PHC office can be reached by calling 800-821-1530.

NETWORK CHANGES FOR PHC MEMBERS

— In many cases PHC members will find that their physicians are part of the BCBSF physician network. It is the goal of BCBSF to see that member care is continued with minimal disruption. BCBSF has identified key PHC providers who are not part of our HMO network. To date 42% of targeted physicians have contracted with Health Options Connect

PRESCRIPTIONS — Nothing will change in relation to member care or coverage before the group's anniversary date when they renew with BCBSF. Members will continue to see their primary care physician as usual and visit the same pharmacies to have their prescriptions filled. Many of PHC member's pharmacies are also part of our networks, so disruption will be minimal.

HOW IS A PRINCIPAL CUSTOMER'S SERVICE AFFECTED? — Teams of BCBSF managers are working in the PHC offices to assure that customer service, benefits and network issues are handled in a timely and quality manner.

HEALTHCARE — Service, care and coverage are not interrupted. BCBSF will work with members who are currently undergoing medical treatment to ensure that their care is continued through this transition. Patients with ongoing medical care such as maternity, oncology, cardiac rehabilitation and physical therapy will be able to complete their treatment in accordance with their PHC contract terms.

MEMBERS WITH PRE-EXISTING MEDICAL CONDITIONS — The existing contract and coverage with PHC will remain in effect until the Group's contract is transitioned to a BCBSF product and contract.

PHYSICIAN QUESTIONS

MEMBER IDS — Physicians should continue to accept PHC member's identification cards until the member becomes a BCBSF member. For some members, the timeframe before switching to a BCBSF product could be up to one year from now. Members do not need a BCBSF identification card to access services from their office. Physicians should also continue to follow the same verification guidelines that they currently employ with respect to eligibility, benefits and referrals for PHC members.

EXISTING CONTRACTS AND REIMBURSEMENT SCHEDULES WITH PRINCIPAL HEALTH CARE — Nothing changes until the member's group converts to a BCBSF product—a physician's relationship and contract remains the same. Upon conversion to a BCBSF product the members will receive BCBSF ID cards, etc. Groups will renew at different times, beginning on 4/1/99. Conversions could continue through March 2000.

HEALTH OPTIONS CONNECT — Physicians will begin to see the company name, Health Options Connect, Inc., on certain documents and checks over the next year. Part of the acquisition agreement included changing the name of Principal Health Care of Florida to Health Options Connect, Inc. This new name has no impact on physicians or patients.

CALLING WITH QUESTIONS — For now, physicians should continue to use the same telephone numbers and addresses to reach PHC to resolve questions. Physicians in either Fort Lauderdale or Miami with questions about BCBSF products or procedures should call 1-800-955-7635.

Questions about PHC products or procedures should be directed to 1800-821-1530

SELLING/SALES/CONVERSION

ANNIVERSARY DATE — Groups will be transitioned to one of BCBSF's products on their anniversary/renewal date. For some groups, the timeframe for switching to a BCBSF product could be as much as 11 months from now.

AGENTS — We are working with and training Independent Agents to be sure the renewal process is smooth and hassle-free. BCBSF has conducted training sessions across the state to educate agents about the renewal process and BCBSF products and services.

AGENT INFORMATION — For more information, agents in either Fort Lauderdale or Miami should call 1-800-955-7635, extension 7225.

EMPLOYERS/DECISION-MAKERS — Groups will be transitioned to one of BCBSF's products on their anniversary/renewal date. BCBSF Sales is working with the employer's current independent agent to be sure the renewal process is smooth and hassle-free. Employers should continue to work through their independent agents. Employers may notice a change in the name of Principal Health Care of Florida to Health Options Connect, Inc., but this new name has no impact on them.

RETENTION — The projected overall rate for retaining PHC members is targeted at 78%. Above this rate, the project is expected to be increasingly profitable and below this level, less so. The SGBU is currently setting group size-specific retention levels to better determine the allocation of resources needed and assure a profitable outcome. To date, the conversion rates for SGBU's *direct sales force* is 76%. Efforts are currently underway to assure the conversion goals for the remaining distribution channels.